Investment Idea

EG Industries Bhd

A Globalised Local Company

By Crystal Chin

BUY

Price: RM1.07

Target price: RM1.28

EG Industries Bhd (EG: 8907) is a global electronic manufacturing services (EMS) and vertical integration (VI+) provider, ranks among the top 50 EMS companies worldwide. We view EG's early entry into the production of 800G optical modules in Malaysia, a critical component within the AI and hyperscale data centre value chain that enhances its growth visibility. Supported by increasingly strong customer base, we project core net profit of RM69.9m in FY25F and RM79.8m in FY26F. BUY with a target price of RM1.28, based on PE of 15x, in line with regional EMS peers.

EG Industries offers end-to-end electronics manufacturing services (EMS) from R&D and product design to final assembly, testing, and logistics. This integrated capability allows the group to serve as a one-stop solution for major global brands across the consumer electronics, ICT, medical, automotive, and telecommunications sectors. Its key export markets include the United States, Thailand, and China, underscoring EG's global footprint and diversified client base.

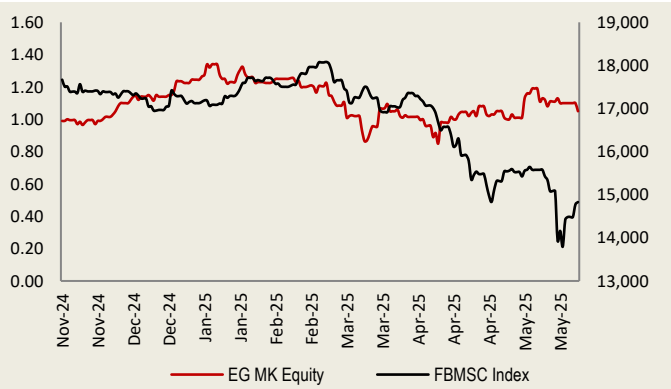
EG's partnership with Cambridge Industries Group (CIG) was extended with a new Letter of Intent (LOI) in April 2024. This enables the production of 800G and 1.6T advanced high-speed optical signal transmitters and receivers, crucial components for 5G wireless networks and data centres. Riding on the demand for data centres globally, EG is strongly positioned to benefit directly from the accelerating demand for advanced connectivity infrastructure.

On 16 May 2025, EG entered into a Master Purchase Agreement with a new U.S. customer for the supply of backup batteries, AI-robotic devices, network switches, and other consumer network-related equipment. The agreement is expected to contribute positively to the group's revenue by FY26. The production of advanced solutions, including 5G photonics-related products will be undertaken at the group's newly built Smart Factory 4.0 in Batu Kawan, Penang, which is scheduled to commence operations in mid-June 2025.

EG has launched its public bonded warehouses in Sungai Petani, Kedah enabling multinational clients to store and manage inventory through a real-time Vendor Managed Inventory (VMI) system. This offers significant cost advantages and encourages the relocation of overseas storage hubs to Malaysia for better coordination and efficiency. The initiative adds a new revenue stream while strengthening EG's position as a full-service manufacturing and logistics partner.

Despite prevailing headwinds from the U.S., EG viewed this as an opportunity rather than a threat, gaining from global supply chain shifts as clients sought for alternatives evading the high-tariff regions. As an export-driven company with USD exposure, EG faces forex volatility, but its strong export base offers a natural hedge to cushion the adverse impact.

We favour EG for its (i) extended partnership with CIG, (ii) operational expansion via newly launched warehouse and plant, (iii) exposure to AI and 5G growth trends and, (iv) strategic positioning as a beneficiary of supply chain realignments due to U.S. tariffs.



KLCI	1,518.12
YTD FBM KLCI change	-7.6%
YTD FBM SC Index change	-14%
YTD stock price change	-12.7%

Stock Information

Market Cap (RMm)	927.7
Issued Shares (m)	909.1
52-week range (H)	1.39
52-week range (L)	0.70
Shariah Compliant	Yes

Major Shareholders

Kang Kiang Pang	10.0%
QYH Capital SB	6.7%
KAF Investment Funds	5.6%

Summary Earnings Table

FY June (RM'm)	2024	2025F	2026F	2027F
Revenue	1,144.2	1,289.2	1,606.4	1,836.1
EBIT	76.8	101.5	119.0	136.7
Pretax profit	49.7	70.9	81.0	93.1
Net profit	**49.0**	**69.9**	**79.8**	**91.8**
Core net profit	**49.0**	**69.9**	**79.8**	**91.8**
Consensus	-	-	-	-
Core EPS (sen)	5.2	7.5	8.5	9.8
EPS growth (%)	26%	43%	14%	15%
DPS (sen)	-	-	-	-
PER (x)	20.2	14.2	12.4	10.8
BV/Share (RM)	0.34	0.42	0.52	0.52
ROE (%)	7.5%	11.7%	19.7%	18.1%
Div. Yield (%)	-	-	-	-

Sources: Company, Rakuten Trade Research

COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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